



STATE OF WASHINGTON

**OFFICE OF FINANCIAL MANAGEMENT**

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**TO:** Agency Budget Officers

**FROM:** Candace Espeseth, Assistant Director for Budget  
Office of Financial Management

**SUBJECT: ACTIVITY INVENTORY SPRING 2002 UPDATE**

OFM will use the Agency Activity Inventory as a key budget development tool this year

Last week the Governor signed the 2002 supplemental budget, which addressed a \$1.5 billion budget shortfall. Early forecasts for the next biennium indicate that we will likely face a significant budget gap once more. The budget development process for the 2003-05 Biennium will need to refocus and reshape state government to fit within financial constraints.

In keeping with the Governor's wishes to concentrate on core government functions, we will be using the Agency Activity Inventory as a key tool in this reshaping effort. OFM has found that incremental decision packages are not adequate by themselves to develop a budget under the financial pressures the state has faced in the last two years. OFM analysts have a need for more descriptive information about the activities the state performs as they analyze statewide budget trade-offs. We especially need to better understand the activities and costs in the budget base so we can make more comprehensive investment decisions. Where practical, OFM used the Agency Activity Inventory extensively in the 2002 supplemental budget process and found it helpful.

For this reason, we are asking agencies to update the 2001-03 Activity Inventory in the spring to provide information for the Budget Jump Start process. The budget instructions will also direct agencies to submit an Activity Inventory update to reflect their maintenance-level budget submittal.

What is the Agency Activity Inventory?

The "Agency Activity Inventory" describes the major activities of each agency. For each activity the report should provide:

- A brief description of the purpose of the activity.
- The expected results of the activity (as a performance measure or outcome description).
- The agency program associated with the activity.
- The biennial budget for the activity by fund.

- The number of annual FTEs attributed to that activity.
- The OFM statewide category label that best describes the nature and purpose of the agency activity.

The sum of the agency's activity dollars and FTEs must tie to the totals defined by OFM, usually the totals of the enacted budget.

### What is an Activity?

An activity is something an organization does to accomplish its goals and objectives. An activity consumes resources and produces a product, service or result. One way to define activities is to consider how agency employees describe their jobs to their families and friends. On behalf of the state's citizens, we basically want to know, "What do you do? For whom? Why is it valuable?"

For the Activity Inventory, an agency's work should be broken down into its discrete functions or services. An activity description that requires several compound sentences or lists to accurately convey the work, probably needs to be divided into several separate activities.

We recognize that finding the "right" level of activity designation and description is a challenge. We will provide each agency with specific feedback and guidance on improvements we would like to see in the current descriptions and work with agency staff to determine the appropriate and useful level of activity descriptions.

Generally, we are looking for activities at a level that allows OFM to identify and prioritize functions from which the state's citizens might benefit from a higher or lower level of state effort. We will also be looking for opportunities to consolidate or reorganize state activities to improve services and outcomes. In many cases, OFM will be asking for activity descriptions at a finer level of detail than agencies have submitted in the past.

Here is one example of a good activity description. It describes what work is done, who it is done for, and why. It also expresses its outcomes in quantitative terms.

The Business Development group works with local partners to attract domestic and international investment in Washington in the following components of our economy: manufacturing, research and development, computer related firms, food processing, and warehouse/distribution. The group also serves as an advocate for business in the resolution of critical issues related to the state tax structure, infrastructure financing, and workforce training. The business development capacity of our primary local partners, including economic development councils and ports, is enhanced through training and joint marketing initiatives.

The Business Development staff work in cooperation with local partners by preparing detailed financial, infrastructure, and workforce training proposals in response to company location needs. Between 1999 and 2001, thirty companies announced plans to invest \$703.4 million for expanded facilities in Washington state. These projects are projected to create up to 6,988 jobs. Examples include Boise Cascade in Grays Harbor County and Toyo Communications in Cowlitz County.

## Instructions for the Spring 2002 Update of the Agency Activity Inventory

### ***How will OFM use this information?***

OFM will use the Activity Inventory information in discussions with agencies in the spring and summer. We need to better understand the activities and costs that make up the base budget today so that we can work with agencies to consider statewide investment and trade-off alternatives in the base as the budgets are being developed.

### ***What is required in the spring update?***

We are asking agencies to update the Agency Activity Inventory this spring:

- To clarify descriptions as requested by OFM.
- To disaggregate current activities into more discrete components as requested by OFM.
- To adjust activity descriptions, funds and FTEs as necessary to reflect changes in the enacted 2002 supplemental budget.
- To add descriptions of the expected outcomes or outputs of each activity.

### ***OFM will provide agencies with feedback and guidance on current descriptions first***

OFM is currently reviewing the current activity descriptions to identify those we would like to see clarified and those we would like to see disaggregated into more distinct components. Some agencies may have activity descriptions that do not need to be changed. In other cases, OFM will propose to use information the agency has already provided in another form to update the activity information.

We plan to send this feedback and guidance to agencies by April 19. We ask that agencies address these items in their update and work with their OFM budget analysts to refine the product.

The most current version of the Agency Activity Inventory is posted as a PDF file on our website.

<http://www.ofm.wa.gov/activity/contents.htm>

### ***Updates to the activity descriptions are due May 17***

Agencies must submit the following updated activity information to OFM by May 17:

- Activity name
- Activity description (called purpose statement in the Inventory)
- The associated program number

Please address the OFM recommended changes in the updates. **If OFM does not request changes to an existing activity description, it does not need to be updated unless the agency feels the activity has changed significantly.**

<b><i>What should the description, or purpose statement, include?</i></b>	Each activity description should describe what the agency does, for whom and why. Also note whether the activity is required by state or federal law. Please avoid the use of jargon and acronyms as the intended use of the activity inventory includes the general public and members of the Legislature, as well as OFM budget analysts.
<b><i>Updates to the balance of the activity inventory information are due to OFM by May 31</i></b>	<p>Agencies are asked to submit the following updated activity information to OFM by May 31:</p> <ul style="list-style-type: none"> <li>▪ The 2001-03 biennial budget by fund for each activity, updated for the enacted 2002 supplemental budget.;</li> <li>▪ The number of annual FTEs attributed to that activity, updated for the enacted 2002 supplemental budget.</li> <li>▪ The expected results or outcomes of the activity. This can be provided as a performance measure or as a narrative description.</li> </ul>
<b><i>What should be included in the expected results section</i></b>	In the expected results section, describe the outcomes expected or desired as a result of performing the activity, preferably in quantitative terms. An outcome is the impact of agency activities on problems/issues they are designed to address. Outputs—which describe the work accomplished—are also acceptable, but less preferred than outcome information. If agencies have developed actual performance measures for the activity please note these here. (You may refer us to the appropriate measure in PMTES if that is easier.) Otherwise a description of the expected result is fine.
<b><i>Budget and FTEs by activity</i></b>	OFM understands that agencies may not currently track financial and FTE information at the activity level in their accounting or budgeting systems. In these cases we ask that agencies estimate the dollars and FTEs allocated to each activity.
<b><i>How should administrative costs be treated?</i></b>	Administrative activities can be listed separately. Administrative costs need not be allocated to other activities.
<b><i>OFM will supply control totals</i></b>	The budget and FTE activity totals for the agency must match those in the enacted 2002 supplemental budget. OFM will provide agencies with these totals.
<b><i>How should the updated information be submitted to OFM?</i></b>	<p>The most current version of the Agency Activity Inventory is posted as a PDF file on our website. <a href="http://www.ofm.wa.gov/activity/contents.htm">http://www.ofm.wa.gov/activity/contents.htm</a></p> <p>The agency may provide the update by:</p> <ul style="list-style-type: none"> <li>▪ Submitting the update in a Word document, or</li> <li>▪ Marking up a hard copy of the current report.</li> </ul>

Send the update to Linda Hamilton at:

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